

PUBLIC DISCLOSURE

May 24, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CHARTER BANK, A CO-OPERATIVE BANK

**75 MOODY STREET
WALTHAM, MA. 02453**

**DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Charter Bank prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY"

The overall rating of satisfactory is based on Charter Bank's adequate loan to deposit ratios, as well as a good willingness to lend to low and moderate income individuals within its assessment area. Additionally, the bank has extended the majority of its HMDA reportable loans inside its assessment area. The distribution of loans is considered to be satisfactory.

The loan to deposit ratio analysis indicated an average ratio of 76.8 percent over the eight quarters reviewed. The ratio has increased slightly over this time period from 72.6 percent in June 1997 to the current level of 83.6 percent as of March 1999. The level and trend are adequate and positive and are considered to meet the standard for satisfactory performance.

Based on the its 1997, 1998, and year to date April 30, 1999 Home Mortgage Disclosure Act (HMDA) data, 64.2 percent of the bank's residential and home improvement loans were originated within its assessment area. A random sample of 38 commercial real estate loans originated in 1998 and year-to-date 1999 were reviewed for lending inside and outside of the assessment area. Of these loans, 26 or 68.4 percent were originated within the assessment area. The total dollar amount of the sample was \$9,846,000, of which \$5,453,000 or 55.4 percent were originated from within the bank's assessment area. This level is considered adequate for satisfactory performance.

An analysis of mortgage originations by income of borrowers indicated that 16.0 percent of the total HMDA reportable mortgage originations inside the bank's assessment area for January 1, 1997 through April 30, 1999, were to low and moderate income individuals. This level is comparable to similarly situated institutions and is considered to meet the standards for satisfactory performance.

Throughout 1997, 1998, and year to date April 30, 1999, the bank originated 67.5 percent of its HMDA reportable loans within its assessment area in middle-income census tracts, followed by 19.0 percent in upper-income census tracts, and 13.5 percent in moderate-income census tracts. Charter Bank's assessment area does not contain any low-income census tracts. An additional analysis of 26 commercial loans within the assessment area was also analyzed for 1998 and year to date April 30, 1999. Of these loans, 15.4 percent

were originated in moderate-income census tracts, 65.4 percent were originated in middle-income census tracts, and 19.2 percent were originated in upper-income census tracts. This section of the examination is considered to meet the standards of satisfactory performance.

Finally, there were no complaints received by the bank pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

Charter Bank is a small commercial institution. Formally based solely on Cape Cod, Charter Bank converted to a stock institution in January 1996. The bank now strives to meet the savings and credit needs of individuals and businesses located in the western suburbs of Boston as well as all of Cape Cod. As of March 31, 1999, the bank had total assets of \$115,994,000, of which \$90,180,000 or 77.8 percent were in the form of loans.

Refer to the following table for additional information on the breakdown of loans as of March 31, 1999.

Loan Portfolio as of March 31, 1999	
Type of Loans	% of Average Gross Loans
Construction & Land Development	3.0%
Residential Real Estate	
a. 1-4 Family Mortgages	31.0%
b. Home Equity Lines	1.7%
Multifamily	0.0%
Commercial Loans	
a. Commercial Real Estate	59.6%
b. Commercial & Industrial Loans	4.1%
c. Agricultural Loans	0.0%
Consumer Loans	
a. Credit Cards & Related Plans	0.1%
b. Loans to Individuals	0.2%
Other Loans	
a. Loans to Financial Institutions	0.0%
b. Municipal Loans	0.0%
c. Farmland Real Estate Loans	0.0%
d. Other	0.3%
Total	100.0

Source: Uniform Bank Performance Report, 3/31/99

Charter Bank operates four full service offices. The bank's main office is located at 75 Moody Street in Waltham. Branch offices include the following: 1290 Main Street in Waltham; 40 Austin Street in Newton; and 450 South Street in Hyannis. In addition, the bank maintains Automated Teller Machines (ATMs) at all four offices as well as an additional five stand alone ATMs. These ATMs are located in the following locations: Victory Road at Marina Bay in Quincy; Hope Avenue in Waltham Hospital; Washington Street in Newtonville; Hartford Avenue in Bellingham; and Boston Post Road in Wayland. Banking hours are considered convenient and easily accessible to all customers, including extended hours on Saturdays. The bank's main office is located in a middle-income census tract. Its branch in Hyannis is the only office located in a moderate-income census tract.

The MassHomePath web page is currently hyper-linked to Charter Bank's web site. This feature allows consumers to directly access more detailed information on the bank's products. Three of the main areas of coverage on the web site are municipal promotions, first time homebuyer programs, and partnership association counseling services.

Charter Bank has direct competition within the immediate area from several local institutions including Watertown Savings Bank, Belmont Savings Bank, Auburndale Co-operative Bank, and Newton South Co-operative Bank in its suburban Boston location. On the Cape, the bank faces competition from Cape Cod Bank & Trust Company, Cape Cod Five Cents Savings Bank, Cape Cod Co-operative Bank, and Falmouth Co-operative Bank, as well as a number of large state and national chartered institutions and regional and national mortgage companies.

The examiners used PCI Services, Inc., CRA Wiz, to generate aggregate HMDA reports when comparing Charter Bank to other HMDA reporting lenders throughout its assessment area. The geographic distribution of the bank's loans among various geographies may also be compared to that of all other HMDA reporting lenders in the assessment area. Other HMDA reporters include bank and nonbank entities such as large national banking companies, local banks, credit unions, and mortgage companies.

Charter Bank originates many of its residential first mortgages through relationships with third party investors. The investor provides the funds for the loans and the bank releases the servicing of the loans at the time of closing. These loans are not included on the HMDA reports because the third party investor makes the credit decision. From November 1, 1997 through April 30, 1999, the bank originated 213 residential loans totaling \$29,706,078 through several investors. Of these originations, 130 or 61.0 percent of the loans totaling \$17,181,166 or 57.8 percent of the dollar amount were for properties located in the bank's assessment area.

The bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation on March 9, 1998, and the Massachusetts Division of Banks on July 22, 1996. Both examinations resulted in a Satisfactory rating.

Description of Assessment Area

Charter Bank has defined its assessment area in two separate locations. The assessment area associated with the bank's Hyannis branch consist of the following towns on Cape Cod: Bourne, Sandwich, Falmouth, Mashpee, Barnstable, Yarmouth, Dennis, Brewster, Harwich, Orleans, and Chatham. This delineation places these towns within the Barnstable-Yarmouth Metropolitan Statistical Area (MSA) with the exception of Falmouth, which is not located in an MSA. The bank's second assessment area consists of the following cities and towns: Waltham, Newton, Lexington, Lincoln, Weston, Belmont, Wellesley, Needham, Brookline, Watertown, and Dedham. This delineation places these cities and towns within the Boston MSA.

Assessment Area Demographics

According to 1990 US Census Data, these 22 communities have a combined population of 552,495 and a total of 268,047 housing units. Of the total housing units, 139,625, or 52.1 percent are owner occupied; 74,297 or 27.7 percent are rental units; and 54,125, or 20.2 percent are vacant housing units. The median housing value for the assessment area is \$230,576. In addition, 12,739, or 5.9 percent of the total number of households in the assessment area are living below the poverty level.

In total, there are 130 census tracts within the bank's two assessment areas: 10 are designated as moderate-income, 62 are designated as middle-income, 57 are designated as upper-income, and one is designated as an N/A. There are no low-income census tracts throughout the assessment areas. Refer to the following table for additional information.

CENSUS TRACTS AND INCOME IN ASSESSMENT AREA

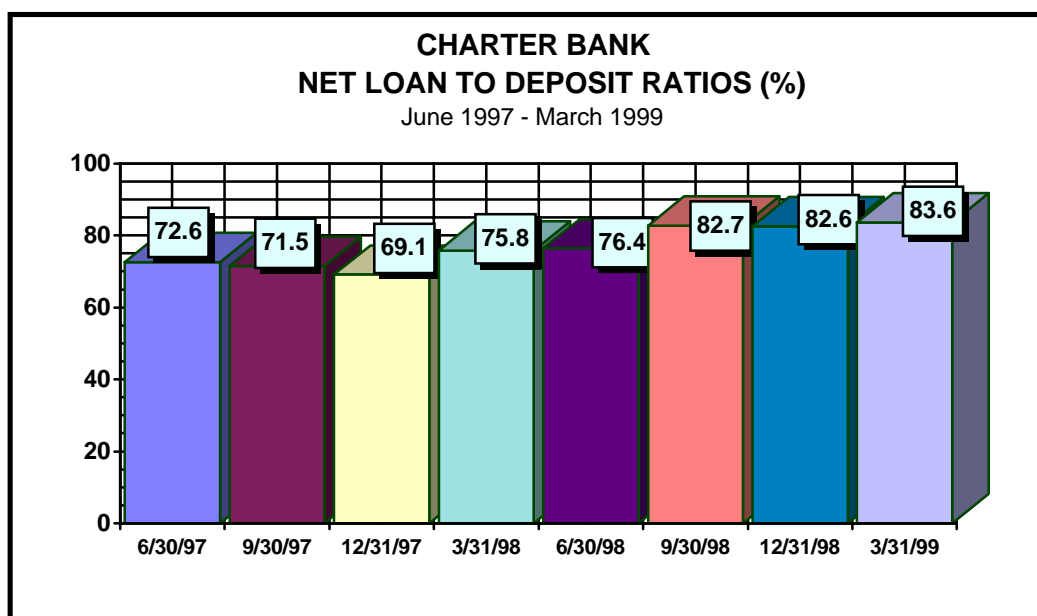
CITY/TOWN	N/A	MODERATE	MIDDLE	UPPER	TOTAL
Barnstable	0	2	6	3	11
Bourne	0	1	4	0	5
Brewster	0	0	2	0	2
Chatham	0	0	2	0	2
Dennis	0	1	4	0	5
Falmouth	1	0	5	2	8
Harwich	0	0	3	0	3
Mashpee	0	1	2	0	3
Orleans	0	0	1	1	2
Sandwich	0	0	1	3	4
Yarmouth	0	0	3	0	3
Belmont	0	0	4	4	8
Brookline	0	0	4	8	12
Dedham	0	0	3	2	5
Lexington	0	0	0	7	7
Lincoln	0	1	0	1	2
Needham	0	0	0	5	5
Newton	0	0	4	14	18
Waltham	0	4	9	0	13
Watertown	0	0	5	0	5
Wellesley	0	0	0	5	5
Weston	0	0	0	2	2
TOTAL	1	10	62	57	130
PERCENTAGE	0.8	7.7	47.7	43.8	100.0

Source: 1990 MSA census data

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Charter Bank's average net loan to deposit ratio was calculated by using the data reported in the previous eight quarterly FDIC Call Reports. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average net loan-to-deposit ratio for the period of June 30, 1997 through March 31, 1999 is 76.8 percent. As indicated in the table below, the bank's net loan to deposit ratio stands at 83.6 percent as of March 31, 1999, and is slowly increasing. The following graph depicts the net loan to deposit ratio for each quarter under review.



A comparison of the dollar amount for the bank's loans and deposits as of June 30, 1997 was made to that of March 31, 1999. This comparison revealed that deposits have increased by 84.0 percent, while loans for the same period have increased by 112.0 percent.

Charter Bank's average net loan-to-deposit ratio was compared to the ratios of four other area institutions of similar asset size. Two of the institutions are from the Boston MSA, one is from the Barnstable-Yarmouth MSA, and one (Falmouth Co-operative Bank) is located in a non-MSA. The ratios used for Charter Bank and the other institutions were as of December 31, 1998. These percentages range from a low of 74.7 percent to a high of 101.3 percent. Refer to the following table.

INSTITUTION	NET LOAN TO DEPOSIT RATIO
Charter Bank	82.6%
Newton South Co-operative Bank	101.3%
Falmouth Co-operative Bank	94.7%
Cape Cod Co-operative Bank	86.7%
Auburndale Co-operative Bank	74.7%

Based upon the above information Charter Bank's net loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Charter Bank's Loan Application Registers (LARs) for 1997, 1998 and year-to-date April 30, 1999, were conducted during the examination. This information indicated the bank originated 254 HMDA reportable loans during this period. All of the loans were for home improvement, purchased and refinanced properties. A total of 163 or 64.2 percent of all HMDA reportable loans were originated within the bank's assessment area. Waltham accounted for 31.5 percent of these loans, followed by Newton with 8.3 percent and Barnstable with 7.8 percent. The remaining cities and towns within the assessment area accounted for less than 5.0 percent each.

An additional review of the total dollar amount of HMDA reportable originations for the same period was also conducted. The percentage of loans by dollar amount was similar to the number of originations within the assessment area. The bank granted a total of \$45,057,000 in HMDA reportable loans during this period. Of these loans, \$28,367,000, or 63.0 percent were originated within the bank's assessment area. Waltham accounted for 33.7 percent of the dollar amount of loans, followed by Newton with 11.8 percent. The remaining cities and towns within the assessment area accounted for less than 5.0 percent each.

Refer to the following tables for additional information.

HMDA LOANS BY NUMBER OF ORIGINATIONS

LOCATION	1997		1998		1999 (YTD)		TOTALS	
	#	%	#	%	#	%	#	%
Waltham	38	38.9	29	25.4	13	30.9	80	31.5
Newton	6	6.1	11	9.6	4	9.5	21	8.3
Barnstable	4	4.1	10	8.7	6	14.3	20	7.8
Yarmouth	3	3.1	3	2.6	1	2.4	7	2.8
Watertown	3	3.1	2	1.8	1	2.4	6	2.4
Brookline	1	1.0	3	2.6	1	2.4	5	2.0
Mashpee	2	2.0	1	0.9	1	2.4	4	1.5
Sandwich	2	2.0	1	0.9	1	2.4	4	1.5
Brewster	0	0.0	1	0.9	2	4.7	3	1.2
Chatham	1	1.0	1	0.9	0	0.0	2	0.8
Dennis	0	0.0	2	1.8	0	0.0	2	0.8
Harwich	1	1.0	1	0.9	0	0.0	2	0.8
Lexington	2	2.0	0	0.0	0	0.0	2	0.8
Needham	1	1.0	1	0.9	0	0.0	2	0.8
Bourne	1	1.0	0	0.0	0	0.0	1	0.4
Lincoln	0	0.0	1	0.9	0	0.0	1	0.4
Wellesley	0	0.0	1	0.9	0	0.0	1	0.4
Belmont	0	0.0	0	0.0	0	0.0	0	0.0
Dedham	0	0.0	0	0.0	0	0.0	0	0.0
Falmouth	0	0.0	0	0.0	0	0.0	0	0.0
Orleans	0	0.0	0	0.0	0	0.0	0	0.0
Weston	0	0.0	0	0.0	0	0.0	0	0.0
Inside Assessment Area	65	66.3	68	59.7	30	71.4	163	64.2
Outside Assessment Area	33	33.7	46	40.3	12	28.6	91	35.8
TOTALS	98	100.0	114	100.0	42	100.0	254	100.0

Source – 1997, 1998, and year to date April 30, 1999 (LARs)

HMDA LOANS BY DOLLAR AMOUNT OF ORIGINATIONS

	1997		1998		1999 (YTD)		TOTALS	
LOCATION	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
Waltham	5,674	39.3	7,138	30.1	2,356	34.1	15,168	33.7
Newton	852	5.9	3,194	13.5	1,274	18.4	5,320	11.8
Barnstable	554	3.8	539	2.3	1,029	14.9	2,122	4.7
Watertown	405	2.8	250	1.1	225	3.3	880	2.0
Brookline	161	1.1	565	2.4	120	1.7	846	1.9
Sandwich	340	2.3	112	0.4	198	2.9	650	1.4
Yarmouth	254	1.8	229	1.0	58	0.8	541	1.2
Lincoln	0	0.0	450	1.9	0	0.0	450	1.0
Needham	175	1.2	230	1.0	0	0.0	405	0.9
Chatham	214	1.5	140	0.6	0	0.0	354	0.8
Brewster	0	0.0	92	0.4	204	3.0	296	0.7
Wellesley	0	0.0	319	1.3	0	0.0	319	0.7
Mashpee	100	0.7	114	0.5	65	0.9	279	0.6
Dennis	0	0.0	241	1.0	0	0.0	241	0.5
Lexington	238	1.6	0	0.0	0	0.0	238	0.5
Harwich	40	0.3	133	0.5	0	0.0	173	0.4
Bourne	85	0.6	0	0.0	0	0.0	85	0.2
Belmont	0	0.0	0	0.0	0	0.0	0	0.0
Dedham	0	0.0	0	0.0	0	0.0	0	0.0
Falmouth	0	0.0	0	0.0	0	0.0	0	0.0
Orleans	0	0.0	0	0.0	0	0.0	0	0.0
Weston	0	0.0	0	0.0	0	0.0	0	0.0
Inside Assessment Area	9,092	62.9	13,746	58.0	5,529	80.0	28,367	63.0
Outside Assessment Area	5,362	37.1	9,946	42.0	1,382	20.0	16,690	37.0
TOTALS	14,454	100.0	23,692	100.0	6,911	100.0	45,057	100.0

Source – 1997, 1998, and year to date April 30, 1999 (LARs)

Because a large volume of commercial real estate lending makes up the loan portfolio, a random sample of 38 commercial real estate loans from 1998 and 1999 were reviewed for lending inside and outside of the assessment area. Of these loans, 26 or 68.4 percent were originated within the assessment area. The total dollar amount of the sample was \$9,846,000, of which \$5,453,000 or 55.4 percent were originated from within the bank's assessment area.

Based on all of the above information, it is evident that the majority of the number and the dollar amount of Charter Bank's loans have been extended within its assessment area. Therefore, the institution's level of lending within its assessment area is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of HMDA reportable loans extended within the various income levels throughout the assessment area was conducted during the examination. Originations were categorized by the ratio of the applicant's reported income to the median family income of the Boston, Barnstable-Yarmouth, and Non-Metropolitan Statistical Areas

(MSA), since the assessment area covers these three MSAs. Refer to the following table for a breakdown of the estimated 1997, 1998 and 1999 HUD information.

MSA	1997	1998	1999
Boston	\$59,600	\$60,000	\$62,700
Barnstable	\$44,700	\$44,700	\$46,300
Non-MSA	\$44,200	\$44,900	\$46,400

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

Refer to the following table for information on the bank's distribution of credit among different income levels.

% OF MEDIAN MSA INCOME	1997		1998		1999 (YTD)		TOTAL	
	#	%	#	%	#	%	#	%
<50%	1	1.5	9	13.2	3	10.0	13	8.0
50%-79%	5	7.8	5	7.4	3	10.0	13	8.0
80%-119%	29	44.6	13	19.1	10	33.3	52	31.9
120%>	29	44.6	29	42.7	10	33.3	68	41.7
N/A	1	1.5	12	17.6	4	13.4	17	10.4
TOTAL	65	100.0	68	100.0	30	100.0	163	100.0

Source – 1997, 1998, and year to date April 30, 1999 (LARs)

As the above table indicates, HMDA reportable loans made within the bank's assessment area are as follows: 16.0 percent to low and moderate-income borrowers; 31.9 percent to middle-income borrowers, and 41.7 percent to upper-income borrowers.

The following table shows the number and dollar volume of HMDA-reportable loans originated by the bank to low, moderate, middle and upper-income borrowers in comparison to the activity of all other HMDA-reporting lenders in the assessment area during 1997. This table was utilized as a comparison of the bank's lending to individuals of different incomes for 1997.

**Lending Within the Assessment Area to Borrowers of
Different Income Levels
Charter Bank Compared to
All Other HMDA-Reporting Lenders**

Borrower Income Level	Number of Loans				Dollars in Loans (000's)			
	Charter Bank		All Other Reporters		Charter Bank		All Other Reporters	
Low	1	1.5%	626	2.6%	50	0.5%	\$39,983	0.9%
Moderate	5	7.8%	2,132	9.0%	523	5.8%	\$183,730	4.2%
Middle	29	44.6%	4,110	17.3%	3,864	42.5%	\$478,959	10.9%
Upper	29	44.6%	12,578	53.0%	4,515	49.7%	\$2,801,230	64.0%
N/A	1	1.5%	4,297	18.1%	140	1.5%	\$874,319	20.0%
Total	65	100.0%	23,743	100.0%	9,092	100.0%	4,378,221	100.0%

Source: HMDA Data for the period 1/1/97 to 12/31/97.

As shown in the above table, for 1997 the percentage of the bank's lending to low and moderate-income borrowers is slightly lower than that of all other lenders for the number of loans originated. However, the large size of the assessment area for such a small bank somewhat skews this comparison. Overall, this distribution of lending demonstrates the bank's willingness to lend to borrowers of all income levels, including those of low and moderate-income.

A review of the distribution of credit to borrowers of various incomes reflects an adequate penetration among individuals of different income levels, when comparing the income characteristics to the demographics of the assessment area.

A sample of 38 commercial loans from 1998 and year to date April 30, 1999 were reviewed as part of this examination. There was insufficient data available to analyze the bank's lending to businesses of different sizes, based upon income and/or revenues. However, this review did reveal that the purposes of the loans were quite diverse, as were the related income and revenue streams. Of the 26 commercial loans within the assessment area, 9 or 34.6 percent were for dollar amounts of less than \$100,000, 7 or 26.9 percent were for dollar amounts between \$100,000 and \$250,000, and 10 or 38.5 percent were for dollar amounts between \$251,000 and \$1,000,000.

Based upon all the above information, the distribution of credit among different income levels is considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of HMDA reportable loans extended within the various census tracts contained in the bank's assessment area was conducted during the examination. The bank's assessment area is comprised of 130 census tracts. Refer to the performance context for the census tract composition.

Throughout 1997, 1998, and year to date April 30, 1999, the bank originated 67.5 percent of its HMDA reportable loans within its assessment area in middle-income census tracts, followed by 19.0 percent in upper-income census tracts, and 13.5 percent in moderate-income census tracts. Charter Bank's assessment area does not contain any low-income census tracts.

Refer to the following table for more information on the bank's HMDA reportable originations within its assessment area.

ORIGINATIONS BY CENSUS TRACT

CENSUS TRACT	1997		1998		1999 (YTD)		TOTAL	
	#	%	#	%	#	%	#	%
MODERATE	5	7.7	16	23.5	1	3.4	22	13.5
MIDDLE	49	75.4	39	57.4	22	73.3	110	67.5
UPPER	11	16.9	13	19.1	7	23.3	31	19.0
TOTAL	65	100.0	68	100.0	30	100.0	163	100.0

Source – 1997, 1998, and year to date April 30, 1999 (LARs)

An analysis of Charter Bank's HMDA reportable loans originated by census tract was compared to the activity of all other HMDA-reporting lenders in the assessment area during 1997. This information indicated that Charter Bank originated 7.7 percent of its loans in moderate-income census tracts compared to the aggregate at 3.0 percent.

An additional analysis of 26 commercial loans within the assessment area was also analyzed for 1998 and year to date April 30, 1999. Of these loans, 15.4 percent were originated in moderate-income census tracts, 65.4 percent were originated in middle-income census tracts, and 19.2 percent were originated in upper-income census tracts.

Based on the analysis of the geographic distribution of loans, the bank is considered to exceed the standards for satisfactory performance in generating originations from all segments of its assessment area.

5. REVIEW OF COMPLAINTS/FAIR LENDING

Charter Bank has not received any complaints related to its CRA performance since the previous examination. The fair lending section of the examination is considered to meet the standards for satisfactory performance.

FAIR LENDING POLICIES AND PRACTICES

The bank has a written Fair Lending Policy, which adequately addresses the guidelines set forth in Massachusetts Division of Banks Regulatory Bulletin 2.3-101. The following synopsis provides information concerning Charter Bank's Fair Lending compliance.

STAFF TRAINING

Charter Bank performs staff training that addresses potential discriminatory issues and practices. On December 2 and 16, 1998, the bank's CRA Officer taught a Fair Lending Compliance course to all members of the Retail Department at 75 Moody Street in Waltham. On January 12, 1999 and March 10, 1999, the bank conducted training sessions regarding the Community Reinvestment Act for employees of the residential lending department. The bank has also conducted in-house training through the use of videotapes from Bankers Training Consulting Company (BTCC) titled "CRA (Small Institution)."

STAFF COMPOSITION AND COMPENSATION

As of this exam date, Charter Bank employs 45 individuals. Of these individuals, 8 or 17.8 are minority. Of these minority individuals, four are Hispanic, three are Asian, and one is Black. The staff assists customers who need assistance for translation services in the following languages: Akan, French, Gujarati, Hindi, Italian, Kannada, Portuguese, Russian, Spanish and Telugu.

The bank currently employs four outside loan originators who work in and around the bank's assessment area. These outside originators are paid on a commission basis, which is based on the principal amount and the type of loan originated. Basis points increase once an originator exceeds a particular dollar volume in purchases.

OUTREACH

The bank has developed relationships with several area organizations, which assists in its monitoring of community needs as well as informing the community of the credit services offered by the institution. Bank management maintains membership and/or close relationship with Waltham Alliance to Create Housing (WATCH), Rotary Clubs, and Chambers of Commerce in almost every community within its assessment area.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The majority of the bank's lending has been commercial real estate loans. Charter Bank is a Small Business Administration qualified lender offering SBA (7A) and 504 Programs. The bank encourages businesses of all types, including start-up businesses, to contact their lending department.

Charter Bank also offers a first time homebuyer program. This program provides an attractive interest rate, low down payment, discounted closing costs, and extended approval criteria. The bank granted 25 loans totaling \$3,253,192 in 1997, 16 loans totaling \$2,303,736 in 1998 and 7 loans totaling \$1,012,867 for year-to-date 1999.

Charter Bank also offers adjustable rate mortgages, fixed rate mortgages, consumer equity lines, and consumer loans.

MARKETING

The bank's marketing program appears to adequately inform residents throughout its assessment area of the various services it offers. The bank advertises in The Cape Cod Times, The Waltham Tribune, The Newton Tab, and The Waltham News Tribune, which serves Waltham, Newton, and Watertown. Charter Bank also advertises in Spanish through local radio stations in Waltham.

Charter Bank provides a variety of literature written in Spanish for its customers. The bank also advertises through the Atlantica Spanish Media. This form of advertisement allows the bank to do business in the local Hispanic market.

CREDIT EDUCATION

Charter Bank offers First Time Homebuyer seminars sponsored by Waltham Alliance to Create Housing (WATCH). These seminars provide credit education to prospective homebuyers in both Spanish and English. The first seminar was conducted in Spanish from January 21 through February 18, 1997. The second seminar was conducted in English from April 23 through May 21 1997. Both seminars consisted of five evening classes in Waltham. At the completion of this course, participants receive a certificate offering a \$100 discount for an application with the bank, a \$500 discount on closing costs and free pre-approval applications (normal cost of \$45). The bank has also offered Home Buying Seminars in Waltham and Hyannis, which were held on April 29, 1997 and June 17, 1997, respectively.

Charter Bank was an exhibitor during the annual Housing Info Fair that was held on March 7, 1998 at the Cape Codder Hotel. This fair was organized by the Cape Clearinghouse for Affordable Home Buyers and approximately 300 people attended to receive home buying information.

COUNSELING

Customers of the bank who are experiencing financial difficulty are referred to HUD approved counseling agencies in their area. A list of approved home ownership counseling agencies is sent out to delinquent borrowers to inform them of their options.

SECOND REVIEW PRACTICES

The bank has a second review policy in place. During the first review, all loans are initially reviewed and underwritten by an individual underwriter or loan officer. Subject to the bank's loan policy and the loan approval authority limits, some loan approvals are not required to be presented for review by the loan committee (or the security committee) prior to loan approval.

However, when a declination of the application is being considered, the application is presented to either the senior lender or the loan committee for a second review prior to a final loan decision.

INTERNAL CONTROL PROCEDURES

The senior residential lender reviews the HMDA data on a quarterly basis. In addition, this individual performs an annual review of the assessment area.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 1997, through April 30, 1999, the bank received 203 HMDA reportable loan applications from within its assessment area. During this period, 11 applications, or 5.4 percent, were received from minorities. Refer to the following table for further details.

APPLICATION FLOW

RACE	1997		1998		1999 (YTD)		TOTAL	
	#	%	#	%	#	%	#	%
American Indian	0	0.0	0	0.0	0	0.0	0	0.0
Asian	0	0.0	1	1.2	0	0.0	1	0.5
Black	0	0.0	1	1.2	0	0.0	1	0.5
Hispanic	4	4.5	2	2.5	0	0.0	6	2.9
Joint Race	1	1.1	0	0.0	0	0.0	1	0.5
Other	1	1.1	1	1.2	0	0.0	2	1.0
TOTAL MINORITY	6	6.7	5	6.1	0	0.0	11	5.4
White	82	92.2	57	69.5	28	87.5	167	82.3
No Information	1	1.1	20	24.4	4	12.5	25	12.3
TOTAL	89	100.0	82	100.0	32	100.0	203	100.0

Source – 1997, 1998, and year to date April 30, 1999 (LARs)

The bank's minority application flow for this period was compared with the racial make-up of the assessment area and 1997 aggregate data for all HMDA reporters within the

assessment area. The comparison of these data assists in deriving reasonable expectations for the institution's minority application flow.

According to 1990 Census Data, the bank's assessment area contained a total population of 552,495 individuals, of which 41,346, or 7.5 percent are minorities. The minority population is 0.2 percent American Indian, 3.1 percent Asian, 1.7 percent Black, 2.0 percent Hispanic and 0.3 percent Other.

Aggregate information indicated that of the 30,275 HMDA-reportable applications received within the assessment area in 1997, 6.5 percent were from minorities. Charter Bank appears to be in line with the aggregate for applications from minorities.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CHARTER BANK, A CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **May 24, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
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_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.